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STANTEC INC. 1999 ANNUAL REPORT

Embracing a New Era



Stantec provides lifecycle solutions to infrastructure and facilities projects through value-added professional services and technologies. By combining global experience and skills in management, planning, design, and implementation, the Company supports clients at every stage, from initial concept and financial feasibility to project completion and beyond. Services are offered through more than 2,300 employees, operating out of 40 locations principally in North America. Stantec trades on the Toronto Stock Exchange under the symbol STN.

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1999 Highlights

- Ranked #103 by industry authority *Engineering News Record's* 1998 listing of Top 150 Global Design Firms, rising from previous year's ranking of #120 and demonstrating steady progress toward goal of being among top 10 global design firms.
- Completed New York-based PO-55 Nitrogen Removal Pilot Studies, having for the past several years provided BNR process design to be utilized in preparing plans for multi-billion-dollar construction contracts of upgraded facilities.
- Awarded revised contract for design of US\$122 million Barbados West Coast Sewerage System. Funded by Inter-American Development Bank, contract specifies protection of delicate coral reef ecosystem. Stantec's world-class environmental expertise required to design a system that allows for complex, horizontal drilling under the sea bed and through the coral reef to create an outfall.
- Procured large ongoing contract as part of private consortium, leading yC-Team in project management of Calgary's \$1 billion Critical Transportation Infrastructure Projects. Project to extend over a decade and include LRT system extension, buses and shelters, roads and interchanges, maintenance facilities, and other works.
- Received major award for environmental management services on Lamb-Weston (a division of ConAgra Limited) industrial food processing plant in Taber, Alberta. Among innovative design features to the \$100 million facility are zero discharge to surface water from plant and process water treatment system to re-use all process water along with contained nutrients.
- During first quarter of 2000, provided emergency review of structural damage to main loading dock transformer vault following explosion and fire at world-renowned Hospital for Sick Children, in Toronto. Undertook project management and urgent document preparation for repairs to existing vault, reworking of existing vaults to accommodate new transformers, and to provide temporary structure for vehicle access to loading dock area—critical to facility function. Provided improvements to vault design to minimize possibility of major power outage should fire ever again occur in any one of the three existing vaults.

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MESSAGE TO SHARE^hOLDERS



As we embrace the new digital era, technologies promise to transform every aspect of our lives. At Stantec, we will continue to harness and adapt these technologies, directing their potential toward improving the quality of life itself.

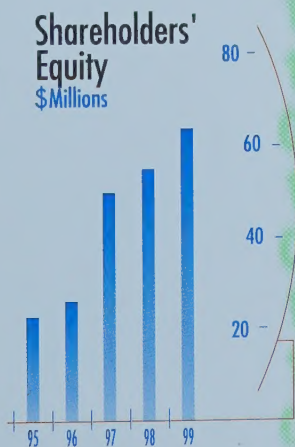
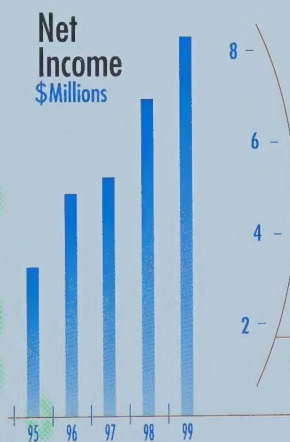
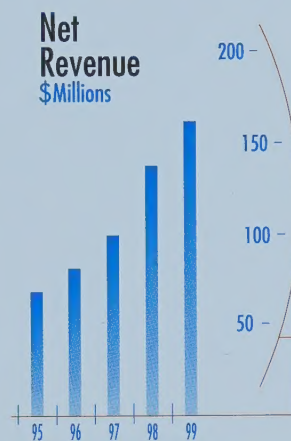
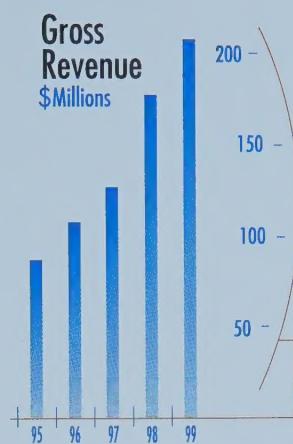
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in thousands of dollars, except per share amounts and ratios

Gross revenue	\$ 211,929	\$ 185,511	\$ 133,565	\$ 119,343	\$ 94,173
Net revenue	169,908	148,943	98,458	82,006	71,818
EBITDA	21,729	17,181	12,634	11,163	8,102
Income before income taxes	16,153	13,207	10,311	9,335	6,501
Net income	8,561	7,185	5,619	5,111	3,418
Net cash position	1,070	6,071	7,613	1,063	2,680
Current assets	82,734	77,068	74,740	44,253	36,664
Current liabilities	51,087	42,394	39,908	24,868	19,257
Capital assets	19,875	17,482	14,446	7,645	6,370
Long-term debt	15,013	12,272	12,173	1,881	4,763
Shareholders' equity	63,572	55,783	49,046	28,870	23,513
Current ratio	1.62	1.82	1.87	1.78	1.90
Debt to equity ratio	0.37	0.17	0.11	0.06	0.12

Earnings per share – basic	1.20	0.99	0.91	0.86	0.56
Earnings per share – fully diluted	1.11	0.93	0.87	0.83	0.55
Book value per share	8.92	7.75	6.78	4.87	3.97
Weighted average number of shares outstanding	7,154,330	7,229,977	6,149,629	5,928,000	5,928,000
Shares outstanding	7,123,985	7,196,797	7,236,097	5,928,000	5,928,000
Shares traded	2,115,996	2,180,116	2,537,872	3,209,461	1,042,950
High	11.50	14.75	12.20	7.50	7.75
Low	9.70	9.50	6.35	4.30	4.70
Close	11.00	10.25	11.25	6.40	5.38
Price earnings ratio	9.20	10.40	12.00	7.40	9.30

FINANCIAL SUMMARY



Fellow Shareholders:

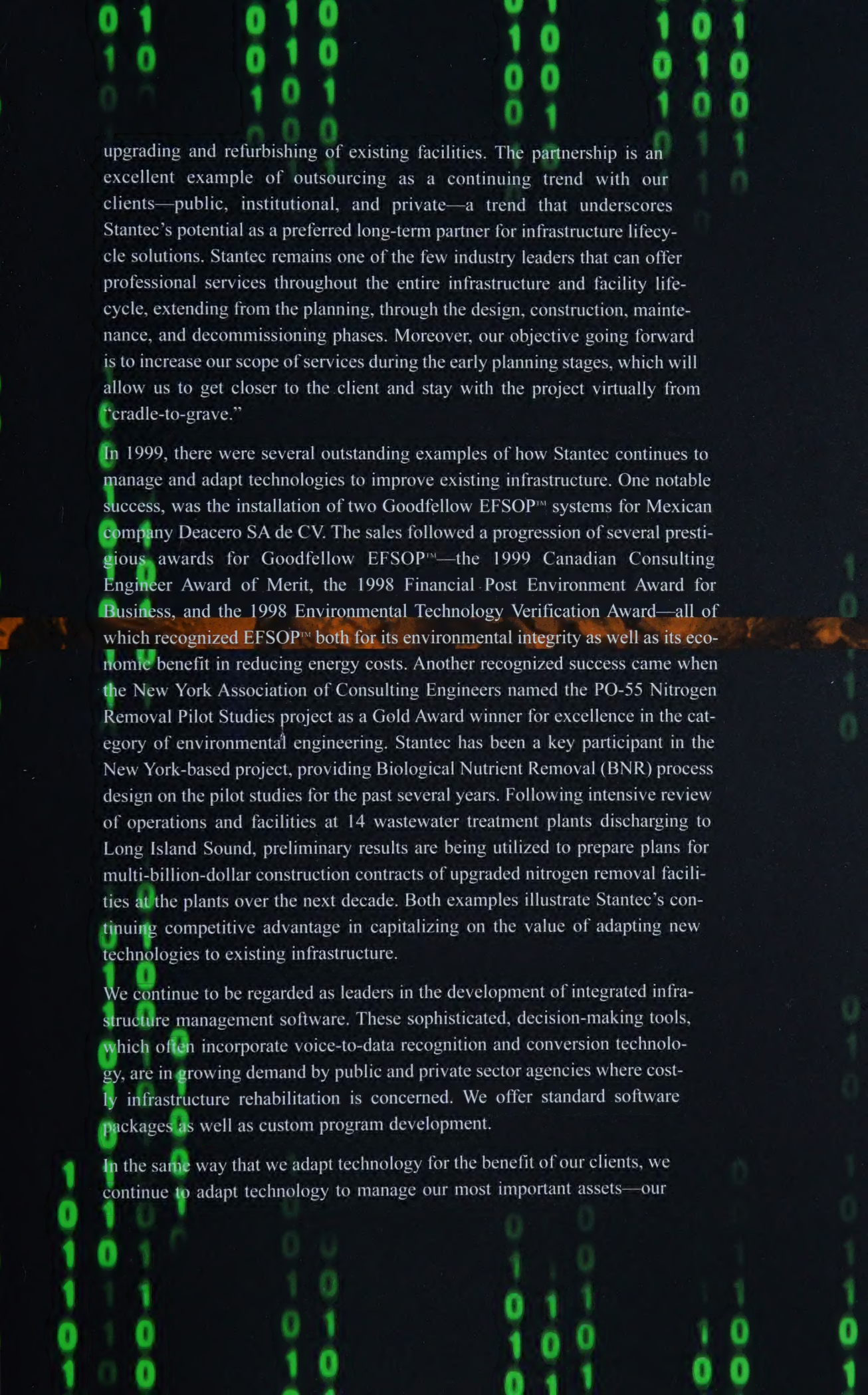
During 1999, our Company continued to respond to changes occurring in the marketplace, and to position for anticipated changes in the near and distant future. As we readied for the new millennium and its opportunities, we remained focused on our principal objectives of growth and profitability to maximize value for all of our shareholders. I am very pleased to report our Company has never been stronger, and our prospects have never been brighter. In 1999, earnings per share increased 21% to \$1.20, compared to \$0.99 in 1998. Net income increased 19% to \$8.6 million, from \$7.2 million. Gross revenue increased 14% to \$211.9 million in 1999, from \$185.5 million in 1998, and net revenue increased 14% to \$169.9 million, from \$148.9 million. Acquisitions completed in 1998 and 1997 contributed substantially to these increases in revenue, underscoring the continuing value of the Company's acquisition program.

As we begin a new year in a new era, we are more confident than ever of our ability to continue to perform at these strong levels to meet or exceed the objec-

**The world is changing. And at Stantec,
we are changing with it.**

tives of our growth plan. We recognize that continued growth is necessary to increase shareholder value, enhance depth and breadth of expertise, optimize IT systems, expand opportunities for employees, and achieve the ability to serve national and global clients. We also recognize and accept the realities of the changing market, and how it constantly defines a new direction for the way we do business. Rather than resisting these changes, we plan to do what we have always done. We will make change work for us. Ultimately, we recognize that an e-commerce world is still dependent upon infrastructure and facilities—infrastructure such as fiber optics, high speed data transmission lines, and wireless networks...and facilities to accommodate the knowledge workers of the new economy. These systems and facilities need to be planned, designed, constructed, and maintained—and they will require our professional services. At the same time, even in a dramatically changing world, the needs of basic human existence—clean air, fresh water, transportation systems, and new housing—will always be required to sustain quality of life. Stantec will continue to provide the professional services required to ensure that quality of life, thereby creating knowledge-based solutions to meet the ongoing needs of our clients.

Stantec's ability to provide value-added professional services was showcased many times during the past year. Particularly outstanding among these was a contract award with the University of Alberta to act as project managers for all major capital projects, including new facilities as well as



upgrading and refurbishing of existing facilities. The partnership is an excellent example of outsourcing as a continuing trend with our clients—public, institutional, and private—a trend that underscores Stantec's potential as a preferred long-term partner for infrastructure lifecycle solutions. Stantec remains one of the few industry leaders that can offer professional services throughout the entire infrastructure and facility lifecycle, extending from the planning, through the design, construction, maintenance, and decommissioning phases. Moreover, our objective going forward is to increase our scope of services during the early planning stages, which will allow us to get closer to the client and stay with the project virtually from "cradle-to-grave."

In 1999, there were several outstanding examples of how Stantec continues to manage and adapt technologies to improve existing infrastructure. One notable success, was the installation of two Goodfellow EFSOP™ systems for Mexican company Deacero SA de CV. The sales followed a progression of several prestigious awards for Goodfellow EFSOP™—the 1999 Canadian Consulting Engineer Award of Merit, the 1998 Financial Post Environment Award for Business, and the 1998 Environmental Technology Verification Award—all of which recognized EFSOP™ both for its environmental integrity as well as its economic benefit in reducing energy costs. Another recognized success came when the New York Association of Consulting Engineers named the PO-55 Nitrogen Removal Pilot Studies project as a Gold Award winner for excellence in the category of environmental engineering. Stantec has been a key participant in the New York-based project, providing Biological Nutrient Removal (BNR) process design on the pilot studies for the past several years. Following intensive review of operations and facilities at 14 wastewater treatment plants discharging to Long Island Sound, preliminary results are being utilized to prepare plans for multi-billion-dollar construction contracts of upgraded nitrogen removal facilities at the plants over the next decade. Both examples illustrate Stantec's continuing competitive advantage in capitalizing on the value of adapting new technologies to existing infrastructure.

We continue to be regarded as leaders in the development of integrated infrastructure management software. These sophisticated, decision-making tools, which often incorporate voice-to-data recognition and conversion technology, are in growing demand by public and private sector agencies where costly infrastructure rehabilitation is concerned. We offer standard software packages as well as custom program development.

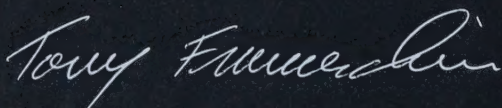
In the same way that we adapt technology for the benefit of our clients, we continue to adapt technology to manage our most important assets—our

employees and our knowledge base. We are progressively moving all of our internal systems to web-based technology, thus providing improved access to our systems and information for all of our staff, wherever they may be, as well as to our clients. Our goal is to have the best informed, best trained, best equipped frontline staff in our industry, to continually improve on our client service delivery.

Going forward, we see a dynamic market with exciting prospects. We remain firm in our ongoing commitment to be ranked among the Top 10 Global Design Firms. Our acquisition program remains focused on the US Southwest and West as our primary regional target for expansion. Toward this end, in September 1999, we successfully concluded the acquisition of Tucson-based Cella Barr Associates, Inc., which provided us with new offices in Tucson and Sacramento and strengthened our offices in Phoenix and Las Vegas. During the first quarter of 2000, we entered the Utah market in a significant way, by acquiring leading Salt Lake City firm EWP Engineering, Inc. Together, the acquisitions added more than 200 staff to our operations, taking US Southwest and West regional numbers well over 600 and company-wide numbers over 2,300. We see further potential for expansion in the Southwest and West during 2000, while exploring possibilities in other areas of the US.

I remain optimistic for our future, recognizing that we are entering an era filled with new opportunities. The knowledge-based economy will reward analysis, adaptation, and insight. Technology allows us to process data more efficiently, but ultimately people interpret and synthesize the data to provide information, knowledge, and solutions. Stantec will continue to thrive, because we are at the leading edge of providing knowledge-based solutions to clients, turning change itself into a competitive advantage.

In concluding, on behalf of the Board of Directors, I wish to extend my deepest gratitude to all Stantec employees, each of whom contributes every day to the fulfillment of our shared vision; to our clients, who ultimately determine our success; and to our shareholders, for their unwavering support and trust.



A.P. Franceschini P.Eng.
President & CEO



We will
always accept and
welcome the challenge
of change



Know

Business of Stantec

Stantec is a knowledge company. We use knowledge to provide lifecycle solutions to infrastructure and facilities projects through value-added professional services and technologies. By combining global experience and skills in management, planning, design, and implementation, we support clients at every stage, from initial concept and financial feasibility to project completion and beyond. Our market is the world of infrastructure and facilities—and it is all around us. The water we enjoy...the roadways we travel...the buildings we frequent and the neighborhoods we call home...without the benefit of solutions such as ours, none of this would be possible.

Our principal business is professional consulting services. Representing both integrated and discipline-specific consulting and project delivery, consulting services are provided in Central and Western Canada, the Southwest and Western United States, and selected international markets—typically, for projects having a total capital cost of less than \$100 million. Larger assignments are undertaken through partnerships and joint ventures. Stantec's core capabilities in consulting services are targeted to six market segments—Urban Land, Environment, Buildings, Transportation, Industrial, and Management Systems.

Urban Land services include project management, urban planning, engineering, geomatics/surveying, and landscape architecture for the land development and real estate industries. Clients are assisted through the entire land development process, from the initial master plan to construction of the infrastructure.

Environment services include environmental engineering and management, expertise in water and wastewater treatment facilities, water resources and stormwater control, municipal infrastructure, environmental monitoring, sustainable development, waste contaminants, and solid waste. Service specialties include integrated infrastructure



Creating Worldwide Solutions

management and utility billing systems, front-end scientific and analytical environmental services, air quality, and process design.

Buildings services include project management; structural, mechanical, and electrical engineering; architecture; and interior design, for the design of commercial, industrial, and institutional facilities. Typical projects include hospitals and related health care facilities, schools, university and recreational facilities, research and technology facilities, office buildings, and commercial centers. Services are provided both in connection with new construction and for existing buildings and facilities. Areas of specialized expertise include building system performance engineering, indoor air quality, lighting, and energy efficiency.

Transportation services include project management, planning, and engineering for all transportation modes and facilities including highways, urban roadways, bridges, rail, transit, parking, and airports. Service specialties include traffic impact assessments, transportation demand and supply management, lifecycle costing, and public consultation. Typical projects include airport terminals, runways and taxiways, rehabilitation of existing bridges and roadways, transportation master plans, traffic signal design, commercial development access, transit maintenance facilities, rural highways, and urban freeways and interchanges.

Industrial services are provided for the energy, resource, agro-industrial, manufacturing, food and beverage, pharmaceutical, scientific, and high-technology sectors, and include planning, engineering, and project management services. Specialty services include feasibility studies, preliminary planning, design, and field monitoring. Typical projects include manufacturing plants and meat processing facilities.

Management Systems focuses on information technology applications that emphasize the design, development, and implementation of integrated infrastructure systems, asset and facility management systems, and work management systems, all of which



McKenzie Towne

Neo-traditional Community
Calgary AB

By reintroducing time proven elements of traditional town planning, we created a sustainable community design as a unique model for the 21st century. McKenzie Towne—a series of villages that form a town within a city—emulates a physical and social fabric similar to that of smaller communities, where residents live, work, and play within a pedestrian-oriented, environmentally-friendly setting. Utilizing GIS, GPS, and other technologies, Stantec urban planners, engineers, surveyors, landscape architects, and transportation consultants were all part of the multi-disciplinary team assembled for this solution, highly endorsed by the client. When complete, this mixed residential/commercial development will support an affordable, quality lifestyle for some 30,000 people.



Plaza Bridge

Bridge Rehabilitation
Ottawa ON

We used innovative concrete repair technology and assessment techniques to retain this historic landmark bridge in Ottawa, saving the client half the cost of replacing the structure as suggested in previous assessments. Through sophisticated analysis techniques as well as field verification by vehicle load testing, we were successful in demonstrating our approach to rehabilitate rather than destroy. In restoring the structure, care was taken to incorporate landscaping and other enhancements, and to design improvements in pedestrian access both to and under the bridge. The result is a much improved, more “people-friendly” linkage in the Ottawa core and its historic settings of Parliament Hill, Rideau Canal, National War Memorial, and other well-known sites.

include data collection capabilities. These systems can be used to manage pavement, water, wastewater, stormwater, bridges, right-of-way features, utilities, buildings, and other assets. Our capability in Computer Aided Facility Management (CAFM)—an application that integrates Computer Assisted Design (CAD) and corporate databases—has allowed us to play a lead role in achieving facility objectives to assist in the management of buildings and parking structures.

We maintain Centers of Excellence in each of our market segments that allow us to leverage our expertise by cross-marketing among regions and exporting internationally. Our services are further complemented by our proven ability to harness and adapt technologies that enhance our core capabilities. Stantec is a global leader in the process design for Biological Nutrient Removal (BNR), a tertiary wastewater treatment process, and in Expert Furnace System Optimization Process (Goodfellow EFSOP™), an optimization process technology that maximizes efficiency of electric arc furnaces to save utility costs and improve environmental emissions. We are international leaders in developing integrated infrastructure management software, incorporating sophisticated voice-to-data recognition and conversion technology.

United under a single, global brand identity, the business of Stantec remains focused on creating knowledge solutions for infrastructure and facilities, translating—for all of our stakeholders—into value for the new millennium.

New York New York Hotel & Casino



New York New York Hotel & Casino

Landscaping Environments
Las Vegas NV

In the highly competitive Las Vegas casino industry, it is very important to attract customers to your facility and vacation experience. Our expertise with all materials—both natural and manmade—used on this project, allowed us to provide the client with a design solution that was visually spectacular, yet practical and highly cost-effective. Operating within time constraints and with constant changes to site limitations and surrounding structures, it was crucial to be onsite full-time throughout construction management, to make necessary field adjustments without sacrificing original design intent. The end result is that our landscape, hardscape, and water designs provide pedestrian and vehicular traffic quick, easy access, while contributing to a unique Las Vegas experience.

Vancouver Hospital & Health Sciences Center



Vancouver Hospital & Health Sciences Center

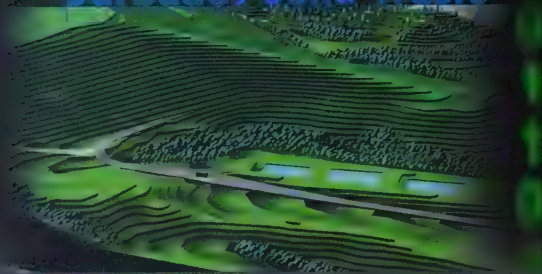
Radiology Project — Vancouver General Hospital
Vancouver BC

By combining new trends in patient care with emerging imaging technologies, we created a space that was both functional and patient-friendly at this major acute treatment hospital. Undergoing imaging procedures such as CT scans can be impersonal, and even intimidating. Our design not only deals with functional requirements of medical staff but also with issues of patient privacy and dignity, in an environment that is friendly, warm, and appealing. A key benefit to the client was a front-end value analysis that resulted in a design savings of more than \$1 million over their previous—and less integrated—design solution.

Strategy of Stantec

A key to our success has been our willingness and ability to continually reinvent ourselves, to adapt to change rapidly and effectively and to remain competitive and positioned for growth. We recognize the industry is evolving toward two opposite ends of the service spectrum, each with a distinct group of peer competitors. One group is targeting design, procurement, and construction, and attempting to combine professional services with contracting capabilities. At Stantec, we are focused on the professional services end of the spectrum, which offers more opportunity for value-added services and which we consider more sustainable over the long-term. This strategy allows us to start sooner with the client, providing services during the initial, critical phases of project development and remaining as a principal consultant from concept to completion. During construction, we act as the owner's representative, providing project management services but accepting no construction risk, as we are not contractors. Beyond project completion, we are also able to supply ongoing maintenance services through facilities and infrastructure management, including customized applications of proprietary technologies. Stantec is part of a very small number of firms that can provide this full service approach throughout the facility's lifecycle.

Barbados Solid Waste



Barbados Solid Waste

National Sanitary Landfill
Barbados

Computer and physical models for the Barbados National Sanitary Landfill—one of the first engineered sanitary landfills in the Caribbean—were created and supplied to the client, the Government of Barbados. On CD-ROM, the CAD-developed computer model presents an animated 3D rendering highlighting developmental stages of the landfill's 20-year life span. The physical model incorporates tiered layers, representing contour lines of the site and depicting the final, closed stage of the landfill. Through these intricate models, the client was given a better appreciation both for how the site will develop over the long-term and how it will appear in its final form.

Assembly Plant



Assembly Plant

Safety Review
Windsor ON

We completed a comprehensive evaluation of a major mini-van assembly plant for compliance with worker safety standards. Fast-tracked over an intense six-month period, the challenge was to assess some 16 km (10 mi) of floor conveyer systems—collecting and analyzing data, and designing effective solutions—without interfering with production on the floor. Since the plant was in steady operation six days a week throughout the entire project, the team was left with a mere 16 to 24 hours each week to implement CAD-developed hardware and control-oriented fixes on the assembly floor. The end result saw the client satisfied, with a successful safety review completed on schedule and under budget.

Against a background of changing industry trends, the professional consulting services industries within which we compete, including the engineering consulting industry, remain highly fragmented. This continues to create acquisition opportunities. Our goal is to increase the size and profitability of Stantec, in part by acquiring established firms that offer professional consulting services in Canada, the United States, and internationally. We seek to acquire firms that have a reputation of being among the best in their area of expertise and geographic location. We actively target locations for acquisitions in which we currently have limited or no market presence, while considering smaller acquisitions of specialty companies in markets where we already operate. Our experience has shown that additional internal growth occurs when clients of newly-acquired firms are offered the specialized services and technologies of our other operating units and the acquired firm's services are similarly cross-marketed to existing clients.

With a vision of expanding to be among the Top 10 Global Design Firms, our strategy remains focused on prudent, systematic, sequential growth. Our competitive advantage lies in our ability to identify, acquire, and integrate firms into our unique corporate model, which is sustained by a widely accepted culture of change. We identify acquisition candidates that are known industry leaders—appreciating that having strong professional services and the best clients, leading firms also have more resiliency. We continue to pursue small- to mid-sized projects with a construction value of less than \$100 million—in any given year completing several thousand projects and avoiding the higher-risk megaprojects.

Ulatis Creekwalk Andrew Park



Ulatis Creekwalk/Andrews Park

River Parkway
Vacaville CA

In designing this river parkway, we were challenged with protecting the area's natural beauty while providing public access to the creekside trails. Ulatis Creekwalk is a serene retreat, accessible to the disabled, which incorporates a range of value-added design features. Among these are retaining walls that provide stability while doubling as planters, seat walls, and erosion control devices. A creekside plaza offers a central gathering spot with colored concrete, night lighting, interpretive display kiosks, redwood observation decks, and a computer-programmed fountain. Picturesque pedestrian bridges provide a link to historic downtown Vacaville. A major benefit to the client is the integration of a state-of-the-art, satellite-controlled irrigation system, which can be expanded as additional features are added to the park.

Finally, key to our success in maintaining consistency and stability over time is our strategy of managing risk within a multi-dimensional business model, which incorporates diversification among geographic regions, across market segments, and over all phases of the infrastructure lifecycle. As a service provider, we are unique in our ability to offer solutions in all five phases of the infrastructure lifecycle—planning, design, construction, maintenance, and decommissioning—a significant value-add that brings us closer to the client and allows us to contribute from “cradle-to-grave” on any given project.

Fundamentally, the underpinning of the new economy is knowledge—and Stantec is well-positioned as both a creator and supplier of knowledge to participate in this new economy. We continue to adapt ourselves to what we recognize as the demands of a changing market, both in terms of how we train and equip our people and how we deliver our services. As clients search for solutions in an increasingly complex world, they will seek out those sources of knowledge that can provide direction and add value across the infrastructure lifecycle, while offering a diverse portfolio of services and the capability to deliver them when, where, and how required. We look forward to the inherent advantages of an e-commerce world, which we expect will see a diminished need for intermediaries and bring us, as service providers, closer still to the client. Finally, our long and profitable track record and strong financial position provide us with a solid foundation to fulfill the vision of Stantec as a consulting services model for the new digital era.

Pavement Management Application



Pavement Management Application

Condition Assessment
Greenville SC

We implemented a highly cost-effective Pavement Management Application (PMA) for the City of Greenville, South Carolina, including a condition assessment for 386 km (240 mi) of roads within City limits. Data collected was used by the City's engineering department to develop repair and maintenance schedules and associated budgets, applying PMA's advanced planning tools. Using our state-of-the-art survey vehicles, we were able to complete data collection on the streets within a brief two-week period. An added benefit to the client was to make the data collected as well as the associated results available in a format that facilitated GIS display within their own systems.

Management's Discussion and Analysis

This discussion and analysis of operations and financial position should be read in conjunction with the Company's 1999 Consolidated Financial Statements and related notes, as well as the Message to Shareholders and Management discussions contained throughout the 1999 Annual Report.

OVERVIEW

Continuing our strategy of growth through acquisition, the Company completed one acquisition in 1999. The acquisitions completed in previous years continued to contribute to the overall growth of the Company by increasing the depth and variety of the services offered by the Company. The increased presence in certain geographical locations allowed the Company to realize additional growth through increased cross selling. In addition, the significant effort made in implementing consistent management and financial information systems throughout the Stantec system enabled the Company to realize economies in many of the administration functions of the Company thus contributing to the overall improvement in the Company's results in 1999 as compared to 1998.



[From left] Barry Lester Vice President & COO, Canada West
Ray Alarie Vice President & COO, Canada Central
Malcolm Gibbons Vice President & COO, International
Orv Shaw Vice President & COO, US Southwest

KEY OPERATING RESULTS

Stantec provides lifecycle solutions to infrastructure and facilities projects through value-added professional services and technologies, principally under "fee-for-service" agreements with clients. In performing its services, the Company incurs certain direct costs for sub-consultants, equipment purchases, and other items which are recoverable directly from the client. The amount of these costs directly billed to the clients are included in the Company's gross revenues with the cost of such items deducted from gross revenues to arrive at net revenues. The Company believes that net revenue is a more accurate measure of revenue earned for services provided directly by the Company.

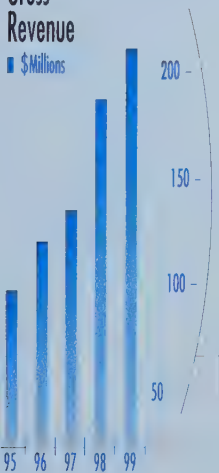
In 1999, considerable effort was made in completing the integration of the acquisitions completed in 1997 and 1998. In the fall of 1998, at the same time as our name change to Stantec Inc., a number of small operating entities were merged into our five main operating

entities allowing us to integrate operations by implementing a consistent and improved management information and accounting system across the Stantec system. During 1998 and 1999, as new acquisitions were completed, the acquired companies were merged immediately into the ongoing operations in the locations in which they operated. In addition to integrating the operations, the Company continued to centralize more corporate services. This contributed to the decrease in the administration and marketing expenses as a percentage of net revenue.

The following table summarizes the Company's key operating results on a percentage of net revenue basis and the percentage increase in the dollar amount of these results from year to year.

	PERCENTAGE OF NET REVENUE			PERCENTAGE INCREASE	
	1999	1998	1997	1999 vs. 1998	1998 vs. 1997
Gross revenue	124.7%	124.5%	135.7%	14.2%	38.9%
Net revenue	100.0%	100.0%	100.0%	14.1%	51.3%
Direct payroll costs	48.6%	48.1%	48.1%	15.3%	51.4%
Gross margin	51.4%	51.9%	51.9%	13.0%	51.1%
Administrative and marketing expenses	38.6%	40.4%	39.1%	9.1%	56.1%
Income before interest, income taxes, depreciation and amortization	12.8%	11.5%	12.8%	26.5%	36.0%
Depreciation and amortization	2.8%	2.5%	2.2%	28.2%	69.1%
Operating income	10.0%	9.0%	10.6%	26.0%	28.9%
Income taxes	4.5%	4.0%	4.8%	26.1%	28.3%
Net income	5.0%	4.8%	5.7%	19.1%	27.9%

Gross Revenue
■ \$Millions



GROSS REVENUE

Gross revenue for 1999 increased \$26.4 million or 14.2% to \$211.9 million from \$185.5 million in 1998. Acquisitions completed in 1998 and 1999 contributed approximately \$12.0 million to this increase with an increase in Design Build revenues (\$5.4 million) and organic growth in other Consulting Services revenues (\$9.0 million) comprising the difference. Gross revenue for 1998 increased \$51.9 million or 38.9% from \$133.6 million in 1997. Acquisitions during 1997 and 1998 accounted for \$56.8 million offset by reductions in Design Build revenues of \$3.4 million and Consulting Services revenues of \$1.5 million. Strong economic growth in the Company's major geographic markets, especially Alberta, Arizona, and Ontario contributed to the organic growth in 1999 revenues. In addition, the integration of acquired operations

has contributed to enhanced cross-selling opportunities. This trend is expected to continue as the Company moves toward offering all current services in all existing regions.

Revenue earned in Canada during 1999 increased to \$145.8 million from \$134.7 mil-

lion in 1998. Revenue earned in the United States increased in 1999 to \$51.7 million from \$39.2 million in 1998. International revenue increased to \$14.4 million in 1999 from the 1998 level of \$11.6 million. The Company expects that the percentage of revenue generated in the United States will continue to increase as a result of the focus on acquisitions there.

NET REVENUE

Net revenue increased \$21.0 million or 14.1% to \$169.9 million from \$148.9 million in 1998. Acquisitions completed in 1998 and 1999 contributed \$10.1 million to this increase with organic growth in other Consulting Services and Design Build contributing \$10.7 million and \$0.2 million respectively. Net revenue in 1998 increased \$50.4 million from \$98.5 million in 1997. The 1998 growth in net revenues resulted from acquisitions completed in 1997 and 1998 (\$47.5 million), organic growth in 1998 of \$2.1 million, and an increase in Design Build of \$0.8 million.

GROSS MARGIN

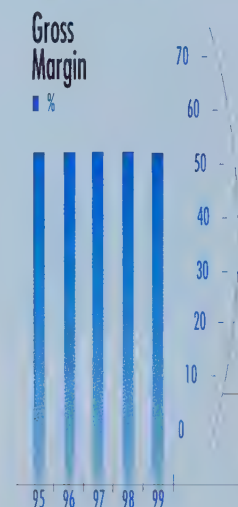
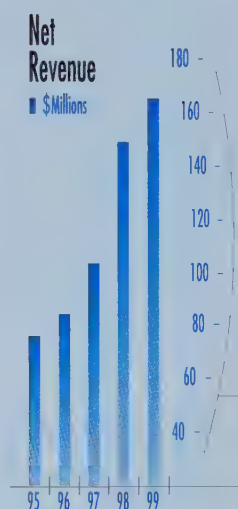
Gross margin is calculated as net revenue less direct payroll costs. Direct payroll costs include the cost of salaries and the related fringe benefits for labor hours directly associated with the completion of projects. Labor costs and the related fringe benefits for labor hours not directly associated with the completion of projects are included in administrative and marketing expenses.

Gross margin, as a percentage of net revenues, was 51.4% in 1999, a decrease from the 51.9% realized in 1998. Total gross margin increased \$10.0 million (13.0%) over 1998, as a result of the increases in net revenue as discussed above. Throughout 1999, the Company focused on reducing administrative and marketing expenses as well as ensuring that all time spent on projects was reflected in direct payroll costs. This focus may have contributed to the modest decline in the gross margin percentage, but the increase in direct payroll costs was more than offset by a reduction in the administrative and marketing labor incurred by the Company.

ADMINISTRATIVE AND MARKETING EXPENSES

Administrative and marketing expenses were \$65.6 million in 1999 or 38.6% of net revenue compared to \$60.1 million (40.4% of net revenues) in 1998. 1998 administrative and marketing expenses increased \$21.6 million from \$38.5 million in 1997 (39.1%).

In 1998, the Company began an in-depth process of standardization across the Company. This standardization included all aspects of the operations from marketing materials to management information systems. The Company made significant investments in computer hardware, software, and staff to support the process. Conversions to the new accounting and management information system were completed by the middle of 1999. The decrease in the administrative and marketing expenses was expected as the integration of the various operations onto common systems was completed. As a result, the cost of computer operations, excluding labor, decreased by approximately \$1.3 million. As noted above, administrative and marketing labor costs were reduced as a result of a focused effort. Offsetting these reductions was the 28% increase in depreciation and

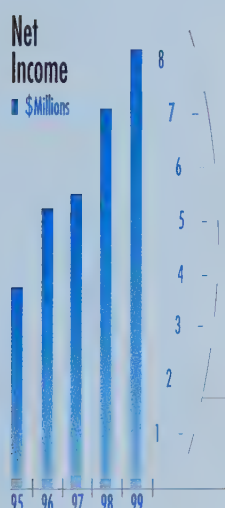


amortization which was a result of the increased investment in capital assets and goodwill related to the acquisitions completed in 1998 and 1999.

INCOME TAXES

The effective tax rate in 1999 was 47.0% compared to 45.6% in 1998 and 45.5% in 1997. A number of factors have contributed to the increased tax rate from 1998 to 1999. As a percentage of income, the non-deductible portion of the meals and entertainment expense declined, resulting in a rate decrease of 0.7%. The impact of lower foreign tax rates had a reduced beneficial impact in 1999. The increase in income earned in the United States, which is subject to a lower rate than that in Canada, was offset by the impact of foreign exchange translation effects on taxes. During 1999, the Canadian dollar strengthened from 1.5333 to 1.4433 relative to the US dollar, and certain monetary assets denominated in US dollars resulted in foreign exchange translation losses without a corresponding income tax deduction.

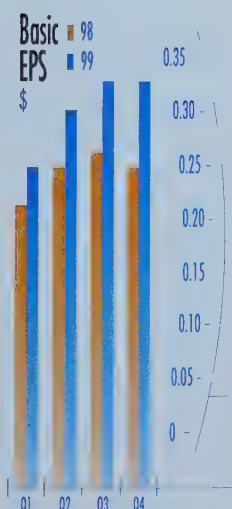
NET INCOME



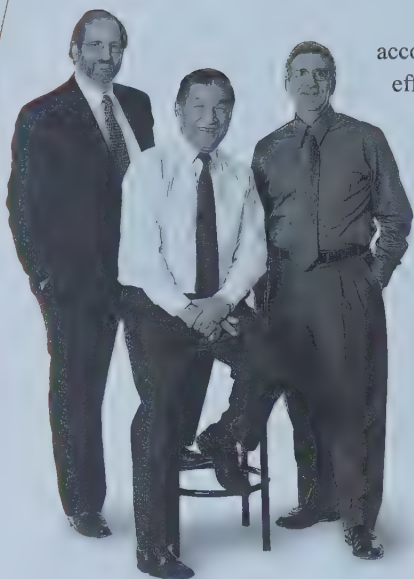
Net income for 1999 was \$8.6 million, a 19.1% increase from 1998 net income of \$7.2 million. 1998 net income increased 27.9% from 1997 net income of \$5.1 million. As a percentage of net revenue, 1999 net income was 5.0% compared to 4.8% in 1998 and 5.7% in 1997. The increase in net income as a percentage of net revenues is due to the decrease in administrative and marketing expense, offset by the decrease in the gross margin and the increase in the effective tax rate.

Basic earnings per share in 1999 were \$1.20 compared to \$0.99 in 1998. The weighted average number of shares utilized in the calculation of the earnings per share was 7,154,330 in 1999 and 7,229,977 in 1998. The change in the weighted average number of shares is due to the shares repurchased in 1999 as well as the issue of shares through the exercise of options and as a part of the purchase price on the current year acquisition. Fully diluted earnings per share in 1999 were \$1.11 compared to \$0.93 in 1998. Fully diluted earnings per share are affected by the share options outstanding during the year (1999-789,050; 1998-767,300) and the income that could be earned on the funds had the options been exercised at the beginning of the year.

FINANCIAL CONDITION AND LIQUIDITY



Cash generated from operating activities in 1999 was \$6.9 million compared to \$12.0 million in 1998. Net cash flow from operations before changes in non-cash working capital was \$13.9 million, but non-cash working capital increased by \$7.0 million. In 1998, the net cash flow from operations before changes in non-cash working capital was \$10.9 million, while non-cash working capital decreased by \$ 1.1 million. In 1998, the cash generated from operating activities increased \$11.8 million to \$12.0 million from the \$0.2 million generated in 1997. During 1999, all of the Company's operations were converted to our new accounting and management information system. During this period of conversion, an increase in the non-cash working capital balances resulted, with the high point being experienced in the third quarter of 1999. During the fourth quarter of 1999, significant emphasis was placed on reducing the amount of



[from left]

Don Hickey Senior Vice President, Buildings

Jack Fujino Senior Vice President, Environment

Chris Van Busse Senior Vice President, Urban Land

accounts receivable and work in progress outstanding, and the effect of this was a decrease in the balances over the third quarter levels. The Company will continue to emphasize the importance of these balances and expects the levels to reduce over the next year as a percentage of gross revenue.

Cash used in investing activities in 1999 was \$9.7 million as compared to \$10.5 million in 1998. The difference relates mainly to an increase in the cash used to invest in capital assets (\$1.5 million) and a decrease in the amount spent on acquisitions in 1999 (\$2.2 million). The increase in the amount of cash invested in capital assets is partially attributed to the growth in revenue and staffing, as well as to the increased investment required to maintain the computer technology required with our new accounting and management information system.

Only one acquisition was completed during 1999, compared to nine in 1998. This resulted in a lower total investment in acquisitions in 1999. Cash used in investing activities in 1998 was \$10.5 million as compared to \$13.9 million expended in 1997. \$1.7 million is due to an increased

investment in capital assets and a \$5.1 million reduction in cash used on business acquisitions in 1998 as compared to 1997. Although there were five acquisitions in 1997, the size of the acquisitions was larger as compared to those completed in 1998, resulting in higher investment.

Cash used in financing activities in 1999 was \$2.2 million as compared to the \$3.0 million used in 1998. In 1999, additional long-term borrowings of \$3.9 million were obtained, offset by the increase in the long-term debt repayments of \$2.2 million and the additional \$0.6 million spent on share repurchases net of shares issued on exercise of options. The increase in long-term debt repayments is related to the promissory notes paid on account of the acquisitions completed in 1997 and 1998. In addition, the Company retired an existing mortgage on maturity.

The Company maintains an operating line of credit with a major Canadian chartered bank in the amount of \$20.0 million, of which \$2.2 million had been utilized at December 1999 (\$nil at December 1998). In addition, the Company has a line of credit designated for acquisitions of US\$10 million of which US\$7.4 million was drawn at December 1999 (US\$4.4 million at December 31, 1998). The additional US\$3.0 million was drawn as part of the acquisition of Cella Barr Associates, Inc. Long-term debt increased to \$24.3 million in 1999 from \$15.6 million in 1998 reflecting the effect of the acquisition made in 1999 as well as the additional contingent consideration payable for acquisitions completed prior to 1999.

Shareholders' equity increased \$7.8 million in 1998 to \$63.6 million from \$55.8 million in 1998 due to the net income earned of \$8.6 million less the net amount spent by the Company on the repurchase of shares in 1999 (\$0.8 million).

The Normal Course Issuer Bid was renewed in 1999 and allows the Company to repurchase up to 331,694 shares. The Company continues to believe that, from time to time, the market price of our common shares does not fully reflect the value of our business and our future business prospects, and that, at such times, outstanding common shares represent an attractive, appropriate, and desirable use of available Company funds. In 1999, the Company purchased 97,900 common shares at an average price of \$10.48



[left]
Matt Karan Senior Vice President,
 Management Systems
Ben Novak Senior Vice President, Industrial

per share. In 1998, the Company purchased 40,800 shares at an average price of \$11.24 per share.

ACQUISITIONS

The Company completed one acquisition in 1999. Contingent consideration on acquisitions completed prior to 1999 are reflected as part of the acquisitions in 1999. The contingent consideration arose on acquisitions that met certain thresholds during the initial periods of operation as part of Stantec. The total consideration paid in 1999 amounted to \$14.0 million.

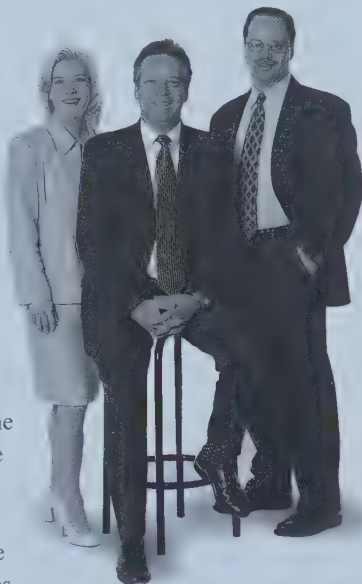
In September 1999, the Company acquired the shares of Cella Barr Associates, Inc., a company with offices in Phoenix and Tucson, Arizona, and Sacramento, California. Cella Barr provides engineering, planning, and landscape architectural services in land development, buildings, water resources, and transportation. This acquisition continues to increase our presence in the United States and has increased our United States based staff to approximately 500 at year-end.

RISK MANAGEMENT

In the normal course of its business, Stantec is exposed to a number of risks that can affect its performance. These risks, and the actions taken to minimize them, are discussed below.

Competition

Many of the contracts entered into by the Company have a long lead time associated with planning and marketing. The Company protects itself to some extent by entering into a diverse range of contracts with a wide range of fee amounts. There can be no assurance that in the future the Company will not face greater competition from international, national, or regional competitors. The Company is engaged in highly competitive markets in many of its service areas. The Company competes with both large and small firms, although no single firm is dominant in any of the Company's primary service areas. There can be no assurance that the Company's revenues and results of operations would not at some point be adversely affected by these competitive forces. The Company believes that its operating structure, its technology, and the breadth of its professional services differentiate it from other engineering and professional consulting firms. The Company believes that providing a diverse portfolio of services to clients in various industries and sectors of the economy, both private and public, will minimize its exposure to, or dependency on, any particular industry or economic sector.



[from left] **Jan Mulligan** Manager, Public Reporting
Don Wilson Vice President & CFO
Dan Lefavre Corporate Controller

Human Resources

The Company currently operates primarily in the professional "fee-for-service" business. The Company depends on its ability to attract, retain, and motivate its management team and other employees. The Company believes that its compensation plans



Sonia Maryn
Director, Corporate Communications

are innovative, flexible and designed to reward top performance, but there can be no assurance that the Company's current compensation packages will be sufficient to ensure the continued availability of qualified personnel.

The Company relies primarily upon trade secret laws to protect its proprietary rights in its specialized technologies. In addition, there can be no assurance that the protection provided to its proprietary technology by the laws of foreign jurisdictions would be substantially similar to the remedies available to the Company under the laws of Canada and the United States.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out its projects.

Factors Affecting Operating Results

Stantec's operating results are affected by a wide variety of factors that could materially affect revenues and profitability, including the timing and cancellation of client orders and projects, competitive pressures on project prices, availability of materials and staff, market acceptance of the Company's services, and international economic fluctuations. As a result of the foregoing factors, Stantec may experience material fluctuations in future operating results on a quarterly or annual basis that could materially affect its business, financial condition, and operating results.



Grace Ko
Director, Human Resources

Accounts Receivable

As is common in the professional consulting industry, Stantec carries a high level of accounts receivable on its balance sheet. This value is spread among numerous contracts and clients worldwide. Although the Company has not experienced accounts receivable collection problems in the past, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

Foreign Operations

The Company conducts a portion of its business outside of North America. This work involves political risks, contracts with foreign clients, and working under foreign legal systems.

Exchange Rate Risk

The Company's operating results are reported in Canadian dollars. A portion of the Company's revenues and expenses are generated or incurred in US dollars. The exchange rate between the Canadian and US dollar has varied significantly over the past five years. There could be a material adverse effect of fluctuating exchange rates on the net difference between total US dollar revenues and US dollar expenses as well as the net investment in assets denominated in US dollars. It is anticipated that this will be a continuing risk in the future as the Company continues to expand in the United States. There



Klaas Rodenburg
Director, Marketing Support

are no material transactions generated or incurred in currencies other than Canadian or US dollars.

Insurance

The Company's operations are subject to the risk of third party claims in the normal course of its business, some of which may be substantial. Although the Company believes that it has made adequate arrangements for insuring against these risks, there is no assurance that these arrangements will sufficiently finance any particular claim or claims. Moreover, the Company may become subject to liability that cannot be insured against or against which the Company may choose not to insure because of high premium costs or for other reasons. The Company maintains insurance coverage for its operations, including professional liability insurance. The maximum coverage under its professional liability insurance is generally \$10 million per claim and per annum. Project specific insurance for larger projects is also obtained from time-to-time.



(from left) Bob Kavanagh Vice President, Practice Management & Enhancement
Jeff Lloyd Vice President, Corporate Development
Sheina Hughes Principal, Stantec Global Technologies

IMPACT OF YEAR 2000

The Year 2000 problem is the risk that computer programs using two-digit data fields will fail to properly recognize the year 2000, causing incorrect results or failure in systems performing arithmetic or logical operations on date fields. Stantec initiated its response to the Year 2000 issue in 1995 and organized a multidisciplinary project team to assess the Company's Year 2000 readiness by mid-1999. Stantec's Year 2000 project teams reported regularly to a Year 2000 Steering Committee chaired by the Company's President and CEO. Stantec's Year 2000 program set out processes and schedules for identifying and resolving Year 2000 related concerns as well the preparation of detailed contingency plans to be implemented should some issue arise surrounding the Year 2000.

Although the critical date has passed and no known issues have been identified, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the company, including those related to customers, suppliers, or other third parties, have been fully resolved.

FUTURE EXPECTATIONS

In 2000, the Company will continue to grow by acquisition in our highly fragmented industry. The Company maintains a good working capital position and a strong balance sheet with a conservative debt to equity ratio. Our debt capacity positions us well to finance the acquisition of firms in new regions and in existing regions to diversify our services and to increase our depth of expertise. As we complete those acquisitions, we will continue the process of introducing our systems and seeking economies of scale through consistent policies and procedures.

During 2000, the Company will continue to focus on increasing our gross margin percentage as well as decreasing the administrative and marketing expenses incurred as a percentage of net revenue. The Company is examining alternatives to reduce the effective tax rate in 2000 and expects to maintain a healthy working capital position.

MANAGEMENT REPORT

The Annual Report, including the Consolidated Financial Statements, is the responsibility of the management of the Company. The Consolidated Financial Statements were prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. The significant accounting policies used are described in Note 1 to the Consolidated Financial Statements. Certain amounts in the financial statements are based on estimates and judgments relating to matters not concluded by year-end. The integrity of the information presented in the financial statements, is the responsibility of management. Financial information presented elsewhere in this Annual Report has been prepared by management and is consistent with the information in the Consolidated Financial Statements.

Management is responsible for the development and maintenance of systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant, and reliable, and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities and for final approval of the annual Consolidated Financial Statements. The Board has appointed an Audit Committee comprised of three Directors, none of whom is an officer or employee of the Company or its subsidiaries. The Audit Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit Committee meets with management and with the independent auditors to satisfy itself that they are properly discharging their responsibilities, reviews the Consolidated Financial Statements and the Auditors' Report, and examines other auditing and accounting matters. The Audit Committee has reviewed the audited Consolidated Financial Statements with management, including a discussion of the quality of the accounting principles as applied and significant judgements affecting the Company's Consolidated Financial Statements. The Audit Committee has discussed with the external auditors, the external auditors' judgements of the quality of those principles as applied and judgements noted above. The Consolidated Financial Statements have been reviewed by the Audit Committee and approved by the Board of Directors of Stantec Inc.

The Consolidated Financial Statements have been examined by the shareholders' auditors, Ernst & Young LLP, Chartered Accountants. The Auditors' Report outlines the nature of their examination and their opinion on the Consolidated Financial Statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee, with and without management being present.



A.P. Franceschini P.Eng.
President & CEO



D.W. Wilson CA
Vice President & CFO

Auditors' Report

To the Shareholders of Stantec Inc.

We have audited the consolidated balance sheets of Stantec Inc. as at December 31, 1999 and 1998 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Chartered Accountants

Edmonton, Canada

February 11, 2000

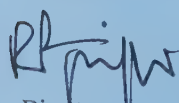
CONSOLIDATED BALANCE SHEETS

As at December 31

	1999	1998
(in thousands of dollars)	\$	\$
ASSETS [note 4]		
Current		
Cash	3,648	6,071
Accounts receivable	51,092	42,294
Work in progress	24,431	24,601
Prepaid expenses	1,714	1,349
Income taxes receivable	187	
Future income tax assets	1,662	2,753
	82,734	77,068
Capital assets [notes 2 and 4]	19,875	17,482
Investment in associated companies	2,926	2,619
Investments - other	816	937
Goodwill [note 3]	23,713	12,790
Future income tax assets	1,669	1,552
	29,124	17,898
	131,733	112,448
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	2,578	
Accounts payable and accrued liabilities	27,433	26,357
Deferred revenue	6,137	7,377
Income taxes payable		534
Current portion of long-term debt	9,328	3,306
Future income tax liabilities	5,611	4,820
	51,087	42,394
Long-term debt [note 4]	15,013	12,272
Future income tax liabilities	2,061	1,999
	68,161	56,665
Commitments and contingencies [notes 5 and 6]		
Shareholders' equity		
Share capital [note 7]	42,526	42,855
Contributed surplus [note 7]	1,228	1,245
Retained earnings	19,818	11,683
	63,572	55,783
	131,733	112,448

See accompanying notes

On behalf of the Board:


Director


Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended December 31

	1999	1998
(in thousands of dollars)	\$	\$
Income		
Gross revenue	211,929	185,511
Less direct expenses	42,021	36,568
Net revenue	169,908	148,943
Direct payroll costs	82,598	71,657
Gross margin	87,310	77,286
Administrative and marketing expenses	65,581	60,105
Income before interest, income taxes, depreciation and amortization	21,729	17,181
Depreciation and amortization	4,801	3,746
Operating income	16,928	13,435
Net interest expense	(1,086)	(489)
Share of income from associated companies	311	261
Income before income taxes	16,153	13,207
Income taxes [note 8]		
Current	6,928	5,882
Future	664	140
	7,592	6,022
Net income for the year	8,561	7,185
Retained earnings, beginning of the year	11,683	4,707
Shares repurchased [note 7]	(426)	(209)
Retained earnings, end of the year	19,818	11,683

Earnings per share [note 9]

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	1999	1998
(in thousands of dollars)	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from clients	207,492	186,064
Cash paid to suppliers	(75,158)	(63,264)
Cash paid to employees	(116,651)	(103,430)
Receipts from associated companies and other investments	145	96
Interest received	3,486	2,930
Interest paid	(4,681)	(3,221)
Income taxes paid	(7,756)	(7,217)
Cash flow from operating activities	6,877	11,958
CASH FLOWS FROM INVESTING ACTIVITIES		
Business acquisitions, net of cash acquired [note 10]	(4,480)	(6,718)
Net proceeds on disposition of investments	51	85
Purchase of capital assets	(5,840)	(4,579)
Proceeds on disposition of capital assets	572	762
Cash flow from investing activities	(9,697)	(10,450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(5,176)	(2,998)
Proceeds from long-term borrowings	3,500	—
Repurchase of shares for cancellation	(1,026)	(459)
Net current tax benefit of financing costs	74	396
Proceeds from issue of share capital	13	11
Cash flow from financing activities	(2,181)	(3,050)
Net decrease in cash and cash equivalents	(5,001)	(1,542)
Cash and cash equivalents, beginning of the year	6,071	7,613
Cash and cash equivalents, end of the year	1,070	6,071
Cash and cash equivalents consists of:		
Cash	3,648	6,071
Bank indebtedness	(2,578)	—
	1,070	6,071

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary companies, all of which are wholly owned. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Associated companies are the Company's investments in entities which are not consolidated and over which the Company is able to exercise significant influence. These investments are accounted for using the equity method, which reflects the Company's investment at original cost plus its share of earnings net of dividends received.

Joint ventures are accounted for on the proportionate consolidation basis which results in the Company recording its pro rata share of the assets, liabilities, revenues, and expenses of each of the joint ventures.

Other investments are recorded at cost.

Foreign currency translation

Financial statements of foreign subsidiaries included in the consolidated financial statements are translated as follows: monetary items at the rate of exchange in effect at the balance sheet date; non-monetary items at historical exchange rates; and revenue and expense items (except depreciation) at the average exchange rate for the year. Any resulting gains or losses are included in income.

Financial instruments

The carrying values of financial assets and financial liabilities are considered to approximate fair values except as otherwise disclosed in the financial statements.

Accounts receivable

The Company provides services to diverse clients in various industries and sectors of the economy and the year-end balance of the accounts receivable is not concentrated in respect of any particular industry, economic, or geographic sector.

Revenue recognition and work in progress

Revenue is recognized as income at the time such services are provided using estimated billable amounts, adjusted to actual amounts when the account is rendered. In cases where amounts are billed and costs have not been incurred, revenue is deferred. Work in progress, representing fee revenue which has not been billed, is recorded at estimated billable value.

Capital assets

Depreciation and amortization are calculated at annual rates designed to write off the costs of the assets over their estimated useful lives as follows:

Engineering equipment	20% - 30%	declining balance
Office equipment	20% - 30%	declining balance
Automotive equipment	30%	declining balance
Leasehold improvements		straight-line over term of lease plus one renewal period
Buildings	5%	declining balance

Goodwill

Goodwill is recorded at cost and amortized over 25 years on a straight-line basis. The carrying value of the goodwill is reviewed annually by assessing the value of the undiscounted future cash flows. If it is determined that a decline in value is other than temporary, goodwill is written down to the value of its undiscounted future cash flow.

Income taxes

The Company follows the liability method of tax allocation accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Non-interest bearing debt

Non-interest bearing debt is carried at its present value using discount rates based on bank prime prevailing at the time the debt was issued.

2. CAPITAL ASSETS

Capital assets comprise the following:

(in thousands of dollars)	1999		1998	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	\$	\$	\$	\$
Engineering equipment	15,035	8,321	13,134	7,360
Office equipment	9,479	5,503	8,282	5,020
Automotive equipment	2,496	1,013	2,090	903
Leasehold improvements	2,679	1,196	2,280	900
Buildings	4,723	512	4,983	406
Land	2,008		1,302	
	36,420	16,545	32,071	14,589
Net book value		19,875		17,482

In 1999, depreciation in the amount of \$4,139,000 (1998 - \$3,312,000) was recorded on the capital assets.

3. GOODWILL

	1999	1998
(in thousands of dollars)	\$	\$
Goodwill	25,037	13,452
Accumulated amortization	(1,324)	(662)
	23,713	12,790

4. LIABILITIES DEBT

	1999	1998
(in thousands of dollars)	\$	\$
Notes payable	1,263	1,263
Discount	959	1,000
Carrying value	304	263
Promissory notes payable	12,860	6,849
Mortgage payable	491	1,686
Acquisition facility (US \$7,400,000; 1998 - US \$4,400,000)	10,680	6,747
Other	6	33
	24,341	15,578
Less current portion	9,328	3,306
	15,013	12,272

If the non-interest bearing notes payable were discounted at interest rates in effect at December 31, 1999, the fair value of the notes would have been \$403,000 (1998 - \$396,000). The following summarizes the due dates of each of the non-interest bearing notes, the discount rate applied, and the amount due:

Due Date	Discount Rate	Amount
	%	\$
		(in thousands of dollars)
July 1, 2001	20.00	140
July 1, 2001	16.50	140
October 1, 2010	11.00	50
November 1, 2027	9.75	933
		1,263

The promissory notes payable bear interest at an average rate of 2.3% and are due at various times from 2000 to 2003 with certain of the notes supported by a deed of trust against land.

The mortgage bears interest at 9.5%, is due in 2000 and is supported by a first mortgage against land and building.

The Company has a 364 day committed revolving term credit facility ("acquisition facility") with a Canadian chartered bank in the amount of \$10,000,000 US. Interest is paid quarterly at a floating rate of prime plus 0.1% to prime plus 0.5%. The effective rate of interest is dependent on the Company's debt covenant calculations on a quarterly basis. The acquisition facility is required to be renewed in January of each year. On January 6, 2002, the acquisition facility will be converted to a four year non-revolving reducing term facility with equal quarterly payments.

Principal repayments required on long-term debt in each of the next five years and thereafter are as follows:

(in thousands of dollars)	\$
2000	9,328
2001	2,617
2002	3,260
2003	3,042
2004	2,670
Thereafter	3,424
	24,341

In 1999, interest of \$736,000 (1998-\$959,000) was incurred on the notes payable, mortgage payable, acquisition facility, and other debt.

At December 31, 1999, the Company has issued letters of credit totaling \$9,225,000. Of this amount, \$9,063,000 supports promissory notes payable given as consideration for acquisitions.

All assets of the Company are held as collateral under a general security agreement.

5. COMMITMENTS

Commitments for annual basic premises rent under long-term leases for the next five years are as follows: 2000-\$7,716,000; 2001-\$7,464,000; 2002-\$6,605,000; 2003-\$4,034,000; and 2000 -\$2,551,000.

6. CONTINGENCIES

In the normal conduct of operations there are pending claims by and against the Company. It is the opinion of management, based on the advice and information provided by counsel, that the final determination of these claims will not materially affect the consolidated financial position or results of operations. The Company carries professional liability insurance against claims arising from professional services provided.

At December 31, 1999, the Company is contingently liable for outstanding letters of credit and guarantee for joint ventures in the amount of approximately \$3,450,000 (see note 11).

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

7. SHARE CAPITAL

Authorized

Unlimited	Common shares
Unlimited	Preferred shares issuable in series

Issued and outstanding

(in thousands of dollars)	1999	1998
	\$	\$
7,123,985 Common shares (1998 - 7,196,797)	42,526	42,855

The following share transactions took place during 1999:

- options to acquire 1,750 Common shares were exercised for proceeds of \$13,000;
- 97,900 Common shares were repurchased for cancellation pursuant to a normal course issuer bid at a cost of \$1,026,000. \$583,000 and \$17,000 reduced the share capital and contributed surplus accounts, respectively, with \$426,000 being charged to retained earnings;
- 23,338 Common shares with a value of \$242,000 were issued as a component of the purchase price on a current year acquisition (see note 10).

The following share transactions took place during 1998:

- options to acquire 1,500 Common shares were exercised for proceeds of \$11,000;
- 40,800 Common shares were repurchased for cancellation pursuant to a normal course issuer bid at a cost of \$459,000. \$243,000 and \$7,000 reduced the share capital and contributed surplus accounts, respectively, with \$209,000 being charged to retained earnings.

The Company is authorized to issue options to acquire 829,020 Common shares. At December 31, the Company has issued options to directors, officers, and senior management to acquire Common shares as follows:

1999				
	Number of Options #	Range of Exercise Price \$	Weighted Average Exercise Price \$	Range of Expiration Dates
	789,050	6.75 - 15.00	10.13	March 2004 - February 2007
Comprised of	319,500	6.75 - 7.20	7.09	March 2005 - February 2007
	469,550	10.40 - 15.00	12.20	March 2004 - June 2006

Options to acquire 25,000 Common shares were issued during the year at exercise prices ranging from \$10.40 to \$11.00 (weighted average exercise price \$10.88). Options to acquire 1,500 Common shares at an exercise price of \$7.20 were forfeited during the year.

184,950 of the outstanding options, with exercise prices ranging from \$7.20 to \$15.00 (weighted average exercise price of \$12.65), are not exercisable until vesting periods ranging from February 2000 to June 2002 are attained.

1998				
	Number of Options #	Range of Exercise Price \$	Weighted Average Exercise Price \$	Range of Expiration Dates
	767,300	6.75 - 15.00	10.10	March 2004 - February 2007
Comprised of	322,750	6.75 - 7.20	7.09	March 2005 - February 2007
	444,550	11.00 - 15.00	12.27	March 2004 - June 2006

Options to acquire 317,050 Common shares were issued during the year at exercise prices ranging from \$12.00 to \$15.00 (weighted average exercise price \$12.79). Options to acquire 5,584 Common shares that were forfeited during the year had exercise prices ranging from \$7.00 to \$12.00 (weighted average exercise price \$9.32).

319,133 of the outstanding options, with exercise prices ranging from \$7.00 to \$15.00 (weighted average exercise price of \$11.89), are not exercisable until vesting periods ranging from February 1999 to June 2001 are attained.

8. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Future income tax assets result primarily from operating tax loss carry forwards and accounting expenses not deductible until future periods, and future income tax liabilities result primarily from unbilled revenue not taxable until future periods.

The effective income tax rate in the consolidated statement of income differs from the statutory Canadian tax rates as a result of the following:

	1999	1998
	\$	%
Income tax expense at statutory Canadian rates	44.6	44.6
Increase (decrease) resulting from:		
Income from associated companies accounted for on the equity basis	(0.8)	(1.0)
Rate differential on foreign income	(0.3)	(1.6)
Non-deductible expenses:		
Meals and entertainment	1.8	2.5
Goodwill amortization	1.2	1.2
Other	0.5	(0.1)
	47.0	45.6

As at December 31, 1999, loss carryovers of approximately \$3,002,000 are available to reduce taxable income of certain Canadian and U.S. subsidiaries. The losses expire as set out below:

(in thousands of dollars)	\$
2004	971
2005	71
2006	1,841
2007	119
	3,002

9. EARNINGS PER SHARE

	1999	1998
	\$	\$
Basic	1.20	0.99
Fully diluted	1.11	0.93

Earnings per share are calculated using the weighted average number of shares outstanding during the year (1999 - 7,154,330; 1998 - 7,229,977).

Fully diluted earnings per share reflect the effect of 789,050 options outstanding at December 31, 1999 (1998 - 767,300).

10. BUSINESS ACQUISITIONS

During 1999, the Company acquired the shares and business of Cella Barr Associates, Inc. (September 17, 1999).

The Company also paid additional contingent purchase consideration in connection with previous acquisitions of PEL Group Inc. (1997), D.W. Thomson Consultants Ltd. (1997), McNeely Engineering Consultants Ltd. (1997), and Parenco Limited (1998).

This consideration is reflected in the accompanying table as part of additional purchase price and goodwill.

During 1998, the Company acquired the shares and businesses of Parenco Limited (March 25, 1998), Lafontaine, Cowie, Buratto & Associates Limited (April 15, 1998), Walker Consulting Group Ltd. (June 10, 1998), Kaminski-Hubbard Engineering Inc. (July 16, 1998), Goodfellow Consultants Holdings Ltd. (August 14, 1998), and Loeppky & Associates Surveyors Inc. (November 30, 1998), and the net assets and businesses of Barry Johns Architects Ltd. (February 12, 1998), WSAG Architects Ltd. (February 12, 1998), and Laird Polson Architecture Interior Design Facility Management (April 30, 1998).

These acquisitions have been accounted for under the purchase method of accounting and the results of earnings since the respective dates of acquisition have been included in the consolidated statement of income. Details of the aggregate consideration given and the fair values of net assets acquired are as follows:

	1999	1998
(in thousands of dollars)	\$	\$
Cash consideration	3,904	6,861
Share consideration	241	
Promissory notes	9,316	4,050
Purchase price	13,461	10,911
Assets and liabilities acquired at fair values:		
Cash acquired (bank indebtedness assumed)	(576)	143
Non-cash working capital	2,782	4,304
Capital assets	1,437	2,518
Investments - other	100	99
Future income taxes	(1,177)	147
Goodwill	11,585	4,998
Long-term debt	(690)	(1,298)
Net assets acquired	13,461	10,911

11. JOINT VENTURES

A summary of the assets, liabilities, revenues, and expenses included in the consolidated financial statements related to the joint ventures is as follows:

	1999	1998
(in thousands of dollars)	\$	\$
Current assets	4,977	1,224
Current liabilities	5,005	1,474
Deficit	(28)	(250)
	4,977	1,224
Gross revenue	8,176	3,133
Direct expenses and payroll costs	7,703	2,808
Administrative and marketing expenses	222	21
Income before income taxes	251	304
Income tax expense (recovery)	(7)	242
Net income for the year	258	62
Deficit, beginning of the year	(250)	(250)
Profit distribution	(36)	(62)
Deficit, end of the year	(28)	(250)

12. RELATED PARTY TRANSACTIONS

The Company paid rent to a limited partnership amounting to \$1,734,000 in 1999 (1998 - \$1,657,000). The Company is a 25% partner in the partnership and other partners include officers of the Company.

13. SEGMENTED INFORMATION

Operating segments of the Company are defined as components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Consulting Services business unit is the Chief Executive Officer of the Company.

Reportable Segments

1999	Consulting Services	Other	Total
(in thousands of dollars)	\$	\$	\$
Gross revenue	198,727	13,202	211,929
Depreciation and amortization	4,396	405	4,801
Operating income	15,271	1,657	16,928
Segment assets	112,779	18,954	131,733
Expenditures for capital assets and goodwill	16,532	893	17,425

1998	Consulting Services	Other	Total
(in thousands of dollars)	\$	\$	\$
Gross revenue	183,948	1,563	185,511
Depreciation and amortization	3,301	445	3,746
Operating income	12,909	526	13,435
Segment assets	92,742	19,706	112,448
Expenditures for capital assets and goodwill	9,353	225	9,578

Geographic Segments

1999	Revenues	Capital Assets and Goodwill
(in thousands of dollars)	\$	\$
Canada	145,805	26,690
United States	51,720	16,882
International	14,404	16
	211,929	43,588

1998	Revenues	Capital Assets and Goodwill
(in thousands of dollars)	\$	\$
Canada	134,676	22,294
United States	39,192	7,830
International	11,643	148
	185,511	30,272

14. SUBSEQUENT EVENT

Subsequent to the year-end, the Company acquired the shares of EWP Engineering, Inc. for consideration consisting of cash and promissory notes.



[from left] John Finn, Robert Flynn, Ron Triffo, Stephen Lister, Robert Bradshaw [seated] William Grace, Tony Franceschini, Dutch Bertholf

Board of Directors

Neilson A. "Dutch" Bertholf, Jr.²

Phoenix, Arizona
Retired Aviation Director
City of Phoenix

Robert J. Bradshaw²

Toronto, Ontario
Chairman
Contor Industries Limited

E. John Finn¹

Madison, Connecticut
Past Chairman
Dorr-Oliver Incorporated

Robert E. Flynn²

Winnetka, Illinois
Past Chairman & CEO
The NutraSweet Company

Anthony P. Franceschini

Edmonton, Alberta
President & CEO
Stantec Inc.

William D. Grace^{1,2}

Edmonton, Alberta
Corporate Director

Stephen D. Lister¹

Toronto, Ontario
Managing Partner
Imperial Capital Corporation

Ronald P. Triffo

Edmonton, Alberta
Chairman
Stantec Inc.

¹ Audit Committee

² Corporate Governance
& Compensation Committee

Officers

Ronald P. Triffo

Chairman

Donald W. Wilson

Vice President & CFO

Anthony P. Franceschini

President & CEO

Jeffrey S. Lloyd

Vice President & Secretary

Shareholder Information

Transfer Agent

CIBC Mellon Trust Company
Calgary, Alberta

Auditors

Ernst & Young LLP
Chartered Accountants
Edmonton, Alberta

Principal Bank

Canadian Imperial Bank of
Commerce

Securities Exchange Listing

Stantec shares are traded on the
Toronto Stock Exchange
under the symbol STN.

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Annual General Meeting

4 May 2000
11:00 AM
Sheraton Grande Edmonton Hotel
10235 - 101 Street
Edmonton AB
CANADA

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Fax (780) 424-7930
architecture.edmonton@stantec.com

Stantec Global Technologies Ltd.

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Fax (780) 917-7425
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Local Offices by Region

Canada West

Calgary AB
Edmonton AB
Lethbridge AB
Red Deer AB
Kamloops BC
Kelowna BC
Vancouver BC
Victoria BC
Saskatoon SK
Regina SK
Winnipeg MB

Canada Central

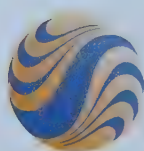
Bracebridge ON
Cambridge ON
Concord ON
Hamilton ON
Kingston ON
Kitchener ON
London ON
Mississauga ON
Ottawa ON
Port Elgin ON
Windsor ON
Gatineau QC

US Southwest & West

Phoenix AZ
Tucson AZ
Las Vegas NV
Reno NV
Salt Lake City UT
Sacramento CA

International

Individual Project Offices



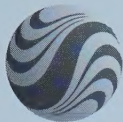
Stantec

HIGHLIGHTS

1999 Highlights

Continued from Front Inside Cover

- Achieved increase in earnings per share of 21% to \$1.20, compared to \$0.99 in 1998, with net income increasing 19% to \$8.6 million, from \$7.2 million in 1998, and gross revenue increasing 14% to \$211.9 million, from \$185.5 million in 1998.
- Provided CD-ROM e-report to City of Lethbridge on Underground Infrastructure Master Plan (UIMP) as well as project website, for paper-free record keeping and rapid distribution of time-sensitive information. Unique e-business solution contains hyperlinks throughout, and is a “living” management tool that can be easily updated as recommended improvements are constructed.
- Concluded significant technology sales of Goodfellow EFSOP™ to leading steel company Deacero SA de CV of Monterrey, NL, Mexico, for installation at Planta en Ramos Arizpe Electric Arc Furnace steelplant. Represents first installation of Goodfellow EFSOP™ in Mexico and follows two permanent installations at Sheerness Steel (now ASW Holdings) in Kent, UK.
- Continued to fulfill growth strategy, by acquiring leading Tucson-based engineering firm, Cella Barr Associates, Inc., with additional offices in Phoenix, Las Vegas, and Sacramento, adding significant critical mass. During first quarter of 2000, entered Utah market with acquisition of EWP Engineering, Inc., prominent Salt Lake City firm. US Southwest and West regional numbers surpass 600.
- Obtained major contract award with University of Alberta to act as project managers for all major capital projects. Projects expected to extend over three- to five-year period with overall value of \$150 – \$250 million, including both new facilities as well as upgrading and refurbishing of existing facilities.
- Implemented consistent and improved management information and accounting system, integrating operations and centralizing more corporate services. This contributed to a reduction in administrative and marketing costs.



Stantec

1999 Annual Report We want your opinion

Please take a moment to evaluate the Stantec 1999 Annual Report. We appreciate your feedback. If you prefer to complete this form online, please go to www.stantec.com/99arfeedback. Thank you.

I receive this Annual Report in my capacity as a:

- | | |
|--|---|
| ☐ Shareholder* | ☐ Financial Analyst |
| ☐ Prospective Shareholder | ☐ Institutional Investor |
| ☐ Employee | ☐ Retail Broker |
| ☐ Client | ☐ Media Representative |
| ☐ Business/Industry Peer | ☐ Other _____ |

How much time did you spend reading this Annual Report?

Using a scale of 1 to 5 (5=VERY satisfactory, 1=NOT satisfactory) please evaluate the following by circling your choice.

- | | |
|--|---------------------------------|
| 5 4 3 2 1 1999 Highlights | 5 4 3 2 1 Design & Layout |
| 5 4 3 2 1 Message to Shareholders | 5 4 3 2 1 Volume of Information |
| 5 4 3 2 1 Creating Knowledge Solutions | 5 4 3 2 1 Overall Impression |
| 5 4 3 2 1 MD&A | 5 4 3 2 1 Other |
| 5 4 3 2 1 Financial Statements | |

Do you consider any aspect of this Annual Report to be particularly strong or weak?

Strong Point _____

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Do you prefer the Internet or conventional print documents to research investor information? Why?

Any comments on the stantec.com website? Suggestions?

We welcome your general comments.

Please add me to your contact list to receive interim financial statements and additional information (please print).

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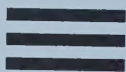
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***Non-registered shareholders - Request for Interim Financial Statements**

National Policy Statement No. 41/Shareholder Communication provides non-registered (beneficial) shareholders with the opportunity to elect annually to have their name added to an issuers supplemental mailing list in order to receive interim financial statements of the Company. If you are interested in receiving such statements and additional information, please complete the above form, sign below, and return by pre-paid postage.

Signature _____ I certify that I am a non-registered (beneficial) shareholder. Date _____



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STANTEC INC
ATTN: INVESTOR RELATIONS
200-10160 112 ST NW
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